

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 98-469-E - ORDER NO. 98-777
OCTOBER 8, 1998

IN RE: Application of Duke Energy Corporation for)	ORDER	✓ MR
Authorization under Article 13, Chapter 27 of)	APPROVING	
Title 58 of the Code of Laws of South)	APPLICATION	
Carolina, 1976 to Issue and Sell Securities)		
(Long-Term Debt Securities).)		

On September 28, 1998, Duke Energy Corporation (the "Company") filed an application (Application) for authorization to issue and sell long-term debt securities, in the manner described in the Application.

FINDINGS OF FACT

1. The Company is a corporation duly organized and existing under the laws of the State of North Carolina. It is duly authorized by its Articles of Incorporation to engage in the business of generating, transmitting, distributing and selling electric power and energy, and in the business of operating water supply systems. It is duly domesticated in the State of South Carolina and is authorized to conduct and carry on business in this State, and is conducting and carrying on the businesses above mentioned in each of said States. It is a public utility under the laws of this State and in its operations in this State is subject to the jurisdiction of this Commission. It is also a public utility under the laws of the State of North Carolina and in its operations in that State is subject to the jurisdiction of North Carolina Utilities Commission. It is a public

utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission.

2. The Company proposes in its application in this Docket, to issue and sell from time to time a maximum of \$1,000,000,000 principal amount of its long-term debt securities (the "Proposed Securities"), all or a portion of which may be unsecured debt instruments and any balance of which may be First and Refunding Mortgage Bonds. The Company intends to sell the Proposed Securities during the effective period of the shelf Registration Statement which the Company has filed with the Securities and Exchange Commission in connection with the registration of such securities (the "Registered Securities"). Proceeds from sales of the Registered Securities will be used for (a) the purchase or redemption of the Company's outstanding higher cost securities as hereinafter provided, (b) refunding maturing securities, (c) financing the Company's ongoing construction (including the acquisition of nuclear fuel), or (d) general corporate purposes. In each case, such proceeds may be used for the repayment of short-term debt incurred for such purposes.

The Company proposes to enter into negotiations with, or request competitive proposals from, investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance of Proposed Securities in accordance with the terms thereof. The Company will determine which sales method and financial institution(s) will provide the most favorable terms to the Company for any issuance and sale of the Proposed

Securities, which may be issued in fully registered or bearer form with coupons or a combination thereof, and with a maximum term of forty years.

When any of the Proposed Securities are issued for refundings or refinancings, the Company proposes to execute the proposed transactions so that, over time, there will be no material effect on the Company's capitalization with respect to the source of funds.

To the extent the Proposed Securities are Senior Notes, they will be created and issued under the Company's Senior Indenture to The Chase Manhattan Bank, as Trustee, dated as of September 1, 1998, to be supplemented by a Supplemental Indenture to be executed in connection with their issuance.

To the extent the Proposed Securities are Subordinated Notes, they will be created and issued under the Company's Subordinated Indenture to The Chase Manhattan Bank, as Trustee, dated as of December 1, 1997, as heretofore supplemented or as to be further supplemented by a Supplemental Indenture to be executed in connection with their issuance.

To the extent the Proposed Securities are the Company's First and Refunding Mortgage Bonds, they will be created and issued under the Mortgage, as heretofore supplemented and as to be further supplemented and amended by a Supplemental Indenture to be executed in connection with their issuance. They will be subject to all of the provisions of the Mortgage, as supplemented, and by virtue of said Mortgage will constitute (together with the Company's outstanding First and Refunding Mortgage Bonds) a first lien on substantially all of the Company's fixed property and franchises.

The authority requested by the Company is in substitution of the remaining authority granted by the Commission in Docket No. 96-123-E, Order No. 96-288. The Company has requested that such previous authority be terminated in conjunction with the Commission's order in this docket.

The Company will pay no fee for services (other than attorneys, accountants, trustees, and fees for similar technical services) in connection with the negotiation or consummation of the issuance and sale of any of the Proposed Securities, nor for services in securing underwriters, agents, dealers or purchasers of such securities (other than fees negotiated with such persons.)

When the net proceeds from the sales of any of the Proposed Securities will be applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured securities, such sales will be made from time to time when market conditions permit the sales on terms which would result in a lower cost of money to the Company. Any premium paid on purchased or redeemed securities will be amortized over the life of the new securities, and the Company proposes to include the after-tax amount of such unamortized premium in the Company's rate base as a component of working capital. As previously noted, the net proceeds of any of the Proposed Securities may be applied and used by the Company to refund maturing securities, including the repayment of short-term debt incurred for that purpose.

The Company has presently identified \$500 million aggregate principal amount of its First and Refunding Mortgage Bonds that are currently redeemable, and the Company may use a portion of the Proposed Securities to redeem such mortgage bonds. Further,

\$425 million aggregate principal amount of such First and Refunding Mortgage Bonds matures during 1999, and the Company may use a portion of the proceeds of the Proposed Securities to repay the principal of such maturing securities.

CONCLUSIONS

Upon review and study of the verified Application, its supporting data and other information in the Commission's files, the Commission is of the opinion, and so finds, that the Company is a public utility subject to the jurisdiction of this Commission with respect to its rates, service, and securities issues and that the issuance and sale of the Proposed Securities, as set forth in the Company's Application, are:

- a) For lawful objects within the corporate purposes of the Company;
- b) Compatible with the public interest;
- c) Necessary and appropriate for and consistent with the proper performance by the Company of its service to the public and will not impair its ability to perform that service; and
- d) Reasonably necessary and appropriate for such purposes.

When the net proceeds from the sales of securities herein authorized are applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured securities, such sales will be made from time to time when market conditions will permit the sales on terms which would result in a lower cost of money to the Company. Any premium paid on purchased or redeemed securities shall be reflected in the going-forward cost of the newly issued securities.

IT IS, THEREFORE, ORDERED that Duke Energy Corporation be, and it is hereby, authorized, empowered, and permitted, upon the terms and conditions set forth in its Application;

1. To issue and sell from time to time a maximum of \$1,000,000,000 principal amount of its long-term debt securities; and
2. To use the net proceeds of such sales to purchase or redeem higher cost securities, to refund maturing securities, to finance its ongoing construction (including the acquisition of nuclear fuel), and for general corporate purposes, including the repayment of short-term debt obligations incurred for those purposes.

IT IS FURTHER ORDERED, that:

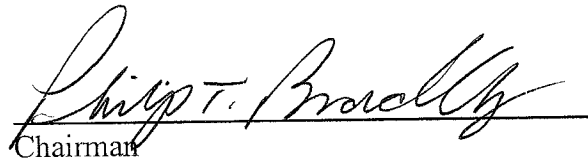
1. The remaining authority granted by the Commission in Docket No. 96-123-E, Order No. 96-288 for the issuance of long-term debt securities and medium-term notes is hereby terminated.
2. The Company file a written report to the Commission within thirty (30) days after the consummation of the sale by competitive bidding, private placement, negotiation, or whatever method used to sell Proposed Securities as herein approved.

The report shall contain as a minimum the following data:

- a. Date of Sale;
- b. Principal amount sold;
- c. Stated coupon/interest/dividend rate;
- d. The offering price to the public/purchaser;

- e. The underwriters' commissions/fees;
 - f. The net cost to the Company;
 - g. Other direct expenses related to the issuance and sale of the securities;
 - h. The specific use(s) of the proceeds;
 - i. The Docket Number of the Order authorizing the sale and the remaining balance of securities authorized but unsold and the amount of savings in interest/dividends to be realized from the redemption/refinancing transaction being reported; and
 - j. A copy of the agreements executed in final form (as soon as available) in connection with the sale of any of the securities herein authorized.
3. Approval of this Application does not bind the Commission as to ratemaking treatment of the issue and sale of securities contemplated hereunder.
4. This Order shall not, in any way, affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.
5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Acting Executive Director
(SEAL)